RECONSTRUCTION CAPITAL II LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For year ended 31 December 2008

Contents

Domicile and country of incorporation of parent company
Cayman Islands

Legal form
Limited Liability Company

Directors
Howard I. Golden
Ion Alexander Florescu
Franklin Pitcher Johnson Jr.
Markus Winkler
Dirk Van den Broeck

Secretary and registered office
Appleby Spurling Hunter
Clifton House
75 Fort Street
PO Box 190 GT

Investment Manager
New Europe Capital Ltd
33 Marloes Road
London W8 6LG

Investment Advisers
New Europe Capital SRL
21 Tudor Arghezi Str., Floor 6, Sector 2
Bucharest 020 946

New Europe Capital DOO
Francuska 5/12
11000 Beograd

Nominated Adviser
Grant Thornton UK LLP
30 Finsbury Square
London, EC2P 2YU

Broker
LCF Edmund de Rothschild Securities Ltd
Orion House,
5 Upper St.Martin's Lane,
London WC2H 9EA

Administrator
Euro-VL (Ireland) Limited
3rd Floor, IFSC House, IFSC
Dublin-1, Ireland

Custodian
Societe Generale
3rd Floor, IFSC House, IFSC
Dublin-1, Ireland

Company number
HL-156549

Independent Auditors
BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

INVESTMENT MANAGER AND INVESTMENT ADVISORS REPORT

During the year, Reconstruction Capital II Limited ("RC2" or the "Company") made three follow-on investments in existing investee companies and two new investments, and effected one disposal, all under its Private Equity Programme. In line with its declared strategy of focussing increasingly on private equity situations, the Company was not particularly active under its Trading Programme, with a net amount of only EUR 3m deployed during the year.

Towards the end of the year, RC2 returned EUR 12.5m back to its shareholders by means of a tender offer to repurchase 12,681,054 of its own shares (representing 11.25% of the Company's then issued share capital) at EUR 0.9849 per share. The tender offer closed on 12 December 2008 and was funded by the realised profit made in 2007.

At 31 December 2008, RC2 had an audited net asset value ("NAV") per share of EUR 0.8373, representing a fall of 42% since the beginning of the year. The fall in RC2's NAV per share reflects the dramatic decline in worldwide equity valuations during the second half of 2008, which affected the markets of South-East Europe particularly badly. Whilst the FTSE100 and S&P500 were down by 47.2% and 35.7% respectively over the year, the Romanian BET-EUR fell 74%, the Bulgarian SOFIX was down 79.8%, and the Serbian BELEX15 declined by 78.6%, all in Euro terms. It is important to note that the fall in RC2's NAV per share over the year was mainly the result of unrealised losses on investments amounting to EUR 68.7m, the Company actually made a realised gain of EUR 3.3m over the year.

Private Equity Programme

During the year under review, RC2 effected one disposal and five investments under its Private Equity Programme:

- In March, RC2 acquired a 63% shareholding in Antares Hotels SRL (now renamed Mamaia Resort Hotels SRL) for EUR 8m;

- In March, RC2 committed a further EUR 1m to its investment in healthcare provider Romar Holding Limited, increasing its stake from 33% to 40%;

- In April, RC2 realised a successful exit from an investment in a plot of land in central Bucharest, realising a gain of EUR 2m (1.6 times cost);

- In June, RC2 acquired an additional 27% shareholding in Romanian paints producer Policolor for EUR 22.5m. Combined with its 8.6% stake prior to the transaction and further market purchases made later on during the year, RC2 owned 38.4% of Policolor at year end. During the second half of 2008, RC2 initiated a squeeze-out and delisting process at Policolor together with the Romanian Investment Fund Limited. This process was completed in March 2009, resulting in RC2 owning 40% of the company, which is now private;

- In October, RC2 invested EUR 30m in East Point Holdings Limited ("EPH"), a diversified Cyprus-based holding company with significant business interests across South-East Europe, primarily in the fields of cereals storage and trading, milling, bakeries, copper processing, river shipping and real estate;

Investment Manager and Investment Advisors Report ***(Continued)***

- During 2008, RC2 took advantage of Albalact's lower share price by acquiring a further 14.7% of this investee company which is quoted on RASDAQ, Romania's OTC market, thus lifting its shareholding to 24.5%.

Trading Programme

Under the Trading Programme, RC2 invested a net amount of EUR 3m during the year. At year-end, it had approximately EUR 33.6 million invested in listed equities with a total market value of EUR 9.3 million. 96.8% of this was held in Romanian equities, 3.0% was invested in Bulgarian equities, while the balance of 0.2% was held in Serbian equities.

Outlook

As a result of the developments outlined above, RC2 has become primarily a private equity fund, with 79.7% of its total assets invested in seven companies. The focus of the Company, which is almost fully invested at present (cash holdings represented only 6.9% of total assets at year-end) has now shifted towards preparing the Private Equity Programme's investee companies for exit over the coming years. For Policolor and EPH, the two largest investments, any exit will involve a structured process, as each has a number of business lines which will need to be reorganised into separate companies and then exited separately. However, we expect to be able to start the exit process at some of the other investments held by the Company over 2009-2011.

New Europe Capital Ltd
New Europe Capital Srl
New Europe Capital DOO

INVESTMENT POLICY

Private Equity Programme

Under the Private Equity Programme, the Company takes significant or controlling stakes in companies operating primarily in Romania, Serbia, Bulgaria and neighbouring countries (the "Target Region"). The Company intends to invest in investee companies where it believes its Investment Advisers can add value by implementing operational and/or financial restructuring over a 3 to 5 year horizon. The Company will only make an investment under the Private Equity Programme if its Investment Advisers believe there is a clear exit strategy available, such as trade sale, break up and subsequent disposal of different divisions or assets, or a flotation on a stock exchange.

Trading Programme

Under the Trading Programme, the Company aims to generate short and medium term returns by investing such portion of its assets as determined by the Directors from time to time in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued by entities in the Target Region. The Investment Manager is responsible for identifying and executing investments and divestments under the Trading Programme. The Trading Programme differs from the Private Equity Programme in the key respect that the Company will typically not take significant or controlling stakes in investee companies and will typically hold investments for shorter periods of time than investments made under the Private Equity Programme.

Value Creation

Under its Private Equity Programme, the Investment Advisers intend to be involved at board level of the investee company to seek to implement operational and financial changes to enhance returns. As part of the Company's pre-acquisition due diligence, the Investment Advisers will seek to identify specific actions that they believe will create value in the target investee company post acquisition and, where appropriate, will seek to work with third party professionals to develop, in combination with the proposed management team of the target, a value creation plan with clear and identifiable short and medium term targets. These plans are likely to address different parts of the business and will be tailored to reflect the specific challenges of the relevant target company. Both the Investment Advisers and the Investment Manager believe that the investment strategies under the Private Equity and Trading Programme might achieve returns which are different than the returns of the relevant market indices.

Investing Restrictions and Cross-Holdings

The Directors, the Investment Advisers and the Investment Manager will take steps to ensure that the portfolio of investments is sufficiently diversified to spread the risks of those investments. The Investment Strategy does not restrict the Company from investing in other closed-ended funds operating in the Target Region. In line with the Company's investment policy, the Board will not normally authorise any investment in a single investee company that is greater than 20 per cent of the Company's net asset value at the time of effecting the investment and in no circumstances will it approve an investment in a single investee company that is greater than 25 per cent of the Company's net asset value at the time of effecting the investment.

Investment Policy *(Continued)*

Gearing
The Company may borrow up to a maximum level of 30 per cent of its gross assets (as defined in its articles).

Distribution Policy
The Company's investment objective is focused principally on the provision of capital growth. For further details of the Company distribution policy, please refer to the Admission Document on the company's website.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors present their report together with the audited financial statements for the year ended 31 December 2008.

Activities and business review
The Company and Group's principal activity is the holding and managing of investments in Romania and other countries in South-East Europe. A summary of the Group's business review for the year ended 31 December 2008 is contained within the Investment Manager and Investment Advisors report.

Accounting Policies
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed for use in the European Union.

Share Capital and Reserves
Details of the Group's authorised and issued share capital as at 31 December 2008 are contained in Note 22 of the financial statements.

Results and dividends
The year closed with an investment loss of EUR 61,768,680 (2007: income of EUR 26,865,455) and a net loss after taxation of EUR 64,179,401 (2007: profit of EUR 23,376,556)

The Directors do not recommend the payment of a dividend.

The Directors of New Europe Capital Ltd, which is a subsidiary of Reconstruction Capital II Ltd, approved and paid a final dividend relating to the year ended 31 December 2008 of EUR 1,653,634 (2007 – EUR 365,356), of which EUR 1,529,612 (2007 – EUR 337,777) was payable to the minority interest.

Post-balance sheet events
There are no material events after the balance sheet date.

Directors and their interests
The Directors of the Company during the year and their interests in the ordinary shares of the Company were as follows:

	31-Dec-08 Number	**% of issued share capital**
Markus Winkler	354,760	0.35%
Ion Florescu	381,360	0.38%
Franklin P Johnson	710,000	0.71%
Dirk Van den Broeck	1,322,459	1.32%
Howard I. Golden	200,000	0.20%

Board
The Board of Directors comprises five Directors, all of whom are Independent Non–Executive Directors, except for Ion Florescu who sits on the Board of the Investment Manager and the Investment Advisors. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company and Group.

Since all day to day management responsibilities are subcontracted to the Investment Manager and Administrator, the Company does not have a Chief Executive Officer as the roles are already effectively separated.

The Investment Manager and the Investment Advisors ensure that the Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least three times each year and additional meetings are arranged as necessary.

Due to the size of the Board, and the fact that four out of five Directors are independent of the Investment Manager and Advisors and all five Directors are independent of the Administrator, the Board has not set up separate audit and remuneration committees on the grounds that the Board as a whole considers these matters. As all five of the Directors are Non-Executives and four are independent, the Board has not appointed a senior independent Non-Executive Director as the Chairman performs this role.

Audit Responsibilities
All audit committee responsibilities are performed by the Board, with specified terms of reference.

The principal terms of reference are to appoint auditors, to set their fees, to review the scope and results of the audit, to consider the independence of the auditors, to review the internal financial and non-financial controls, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Board reviews the quality of the services of all the service providers to the Company and reviews the Company's compliance with financial reporting and regulatory requirements.

The Company's internal financial controls and risk management systems have been reviewed with the Investment Manager and Advisors. The Audit programme and timetable are drawn-up and agreed with the Company's Auditors in advance of the financial year end. At this stage, matters for audit focus are discussed and agreed. The audit report is considered by the Board and discussed with the Auditors prior to approving and signing the Financial Statements.

Remuneration Responsibilities
The Board has resolved that a remuneration committee is not appropriate for the Company as the Company contracts the investment managing, investment advising and administration activities with third parties and has no employees.

The contracting parties themselves are responsible for paying their employees. The Board policy is that the Directors' remuneration should be fair and reasonable in relation to the time commitment and responsibilities of the Directors. The Directors are not eligible for bonuses, pension benefits, share options or other benefits. Details of the payments to Directors are given in Note 6 of the Financial Statements.

Remuneration Responsibilities *(Continued)*
Each of the Directors has entered into a service agreement with the Company and either party can terminate the Agreement by giving to the other at least three months' notice.

Directors' liability insurance
The Group has in place a Directors' insurance policy to cover the relevant individuals against claims arising from their work on behalf of the Company. The Board intends to keep the level of cover provided under annual or more frequent review, as appropriate.

Relationship with shareholders
Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the Interim and Annual Report and Accounts which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by a monthly calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange, and monthly and quarterly reports issued by the Investment Manager and the Investment Advisors which are distributed by e-mail with copies also available from the Investment Manager's office upon request. In addition the Company has a website where the shareholders are able to access all the news and published information about the Company.

Going concern
The Directors have reasonable expectations and are satisfied that the Group has adequate resources to continue its operations and meet its commitments for the foreseeable future and they continue to adopt the going concern basis of preparation of the Financial Statements.

Directors' responsibilities
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the annual reports and financial statements.

The financial statements have been prepared in accordance with IFRS, as endorsed in the European Union, and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of the financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors' responsibilities *(Continued)*

A fair representation also requires the Directors to:

- Consistently select and apply appropriate accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- State that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibilities also extend to the ongoing integrity of the financial statements**.**

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and the Directors intend to propose a resolution at their next meeting to reappoint them.

On behalf of the Board

Ion Florescu
Director

Date: 30 June 2009

INDEPENDENT AUDITORS' REPORT

To the shareholders of Reconstruction Capital II Limited

We have audited the Group financial statements (the "financial statements") of Reconstruction Capital II Limited for the period ended 31 December 2008 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Investment Manager and Investment Adviser's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of our engagement letter dated 27 February 2009 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our engagement letter or has been expressly authorized to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors *(Continued)*

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended.

BDO STOY HAYWARD LLP

Chartered Accountants

London

Date: 30 June 2009

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	31-Dec-08 EUR	31-Dec-07 EUR
Revenue	4	2,712,877	162,458
Total revenue		**2,712,877**	**162,458**
Investment income			
(Loss)/ gain on investments at fair value through the profit and loss account	5	(65,229,295)	23,983,989
Interest income		2,409,026	1,842,780
Dividend income		569,268	331,187
Other income		482,321	707,499
Total investment (loss)/income		**(61,768,680)**	**26,865,455**
Revaluation surplus		-	3,639,779
Expenses			
Bargain purchase		(3,210,739)	-
Operating expenses	6	7,704,325	6,174,519
Total operating expenses		**4,493,586**	**6,174,519**
(Loss)/ profit before taxation		**(63,549,389)**	**24,493,173**
Income tax expense	7	630,012	1,116,617
Net (loss)/ profit for the year		**(64,179,401)**	**23,376,556**
Attributable to:			
- Equity holders of the parent		(64,576,849)	21,458,657
- Minority interest		397,448	1,917,899
		(64,179,401)	**23,376,556**
Basic and diluted (loss)/earnings per share	23	(0.5766)	0.3363

The notes on pages 19 to 49 form an integral part of these financial statements

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

		31-Dec-08	31-Dec-07
Assets	**Notes**	**EUR**	**EUR**
Non-current assets			
Property, plant and equipment	9	16,872,497	59,269
Investment property		-	7,279,779
Financial assets at fair value through the profit and loss account	11	57,749,033	3,100,000
Goodwill	8	1,257,153	1,257,153
Total non-current assets		**75,878,683**	**11,696,201**
Current assets			
Financial assets at fair value through the profit and loss account	11	10,317,104	69,060,217
Inventories		80,000	16,875
Trade and other receivables	12	855,759	1,244,423
Cash and cash equivalents	13	6,426,366	89,328,540
Total current assets		**17,679,229**	**159,650,055**
Total assets		**93,557,912**	**171,346,256**
Liabilities			
Current liabilities			
Trade and other payables	14	1,312,722	5,486,316
Loans and borrowings		530,000	-
Corporation tax payable		199,400	968,893
Total current liabilities		**2,042,122**	**6,455,209**
Non-current liabilities			
Loans and borrowings		89,429	-
Total non-current liabilities		**89,429**	**-**
Total net assets		**91,426,361**	**164,891,047**
Capital and reserves attributable to equity holders			
Share capital	22	1,000,000	1,126,811
Share premium reserve	21	121,900,310	134,263,071
Retained (deficit)/earnings	21	(37,011,624)	27,565,225
Foreign exchange reserve		(2,158,146)	(145,955)
Total equity and reserves		**83,730,540**	**162,809,152**
Minority Interest		7,695,821	2,081,895
Total equity		**91,426,361**	**164,891,047**

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2009,

Ion Florescu (Director)

The notes on pages 19 to 49 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2008

	Share Capital	Share Premium	Translation of overseas subsidiaries	Retained (Deficit)/ Earnings	**Sub-total**	Minority Interest	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Balance at 1 January 2007	**650,394**	**63,280,208**	**-**	**6,106,568**	**70,037,170**	**521,384**	**70,558,554**
Exchange differences arising on translation of foreign operations	-	-	(145,955)	-	**(145,955)**	(164,824)	**(310,779)**
Net income directly recognised in equity	-	-	(145,955)	-	**(145,955)**	(164,824)	**(310,779)**
Profit for year	-	-	-	21,458,657	**21,458,657**	1,917,899	**23,376,556**
Issue of Share Capital	476,417	70,982,863	-	-	**71,459,280**	-	**71,459,280**
Minority interest arising on acquisition	-	-	-	-	**-**	145,213	**145,213**
Dividends payable to minorities	-	-	-	-	-	(337,777)	**(337,777)**
Balance at 31 December 2007	**1,126,811**	**134,263,071**	**(145,955)**	**27,565,225**	**162,809,152**	**2,081,895**	**164,891,047**
Exchange differences arising on translation of foreign operations	**-**	**-**	(2,012,191)	**-**	**(2,012,191)**	164,828	**(1,847,363)**
Net income directly recognised in equity	-	-	(2,012,191)	-	**(2,012,191)**	164,828	**(1,847,363)**
(Loss)/profit for the year	-	-	-	(64,576,849)	**(64,576,849)**	397,448	**(64,179,401)**
Redemption of Share Capital	(126,811)	(12,362,761)	-	-	**(12,489,572)**	-	**(12,489,572)**
Minority interest arising on acquisition	-	-	-	-	-	6,581,261	**6,581,261**
Dividends payable to minorities	-	-	-	-	-	(1,529,612)	**(1,529,612)**
Balance at 31 December 2008	**1,000,000**	**121,900,310**	**(2,158,146)**	**(37,011,624)**	**83,730,540**	**7,695,821**	**91,426,361**

Share premium is stated net of share issue costs

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	31-Dec-08 EUR	31-Dec-07 EUR
Cash flows from operating activities		
Net (loss)/profit before tax	(63,549,389)	24,493,174
Adjustments for:		
Depreciation and amortisation	130,002	8,141
Loss/(gain) on financial assets at fair value through profit or loss	65,229,295	(23,983,989)
Revaluation surplus	-	(3,639,779)
Bargain purchase	(3,210,739)	-
Gain on foreign exchange	-	(707,073)
Interest income	(2,409,026)	(1,865,763)
Dividend income	(569,268)	(331,187)
Net cash outflow before changes in working capital	**(4,379,125)**	**(6,026,476)**
Decrease in trade and other receivables	388,664	788,515
(Decrease)/increase in trade and other payables	(4,943,089)	4,642,995
Increase in inventories	(63,125)	-
Interest received	2,528,221	2,067,107
Dividend received	544,793	373,681
Payments for purchase of financial assets	(8,571,980)	(42,343,817)
Net proceeds from sale of financial assets	12,594,761	23,503,476
Net cash used in operating activities	**(1,900,880)**	**(16,994,519)**
Income tax paid	1,399,505	(205,176)
Cash flows from investing activities		
Net proceeds from sale of investment assets	5,780,449	-
Purchase of property, plant and equipment	(254,005)	(37,632)
Purchase of financial assets	(66,974,488)	(3,000,000)
Acquisition of subsidiary (net of cash acquired)	(2,276,000)	(2,960,458)
	(64,225,419)	**(23,197,785)**
Cash flows from financing activities		
Dividends paid to minorities	(1,529,612)	(337,777)
Payments of loan	(4,657,571)	-
Payments on shares redeemed	(12,489,572)	-
Proceeds from shares issued	-	71,459,280
(Decrease)/Increase in cash and cash equivalents	**(82,902,174)**	**47,923,718**
Cash at 1 January	**89,328,540**	**41,404,822**
Cash at 31 December	**6,426,366**	**89,328,540**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

1. Establishment

Reconstruction Capital II Limited was incorporated on 17 October 2005 in the Cayman Islands as an exempted company created to invest in private and listed equity and fixed income securities, including convertible and other mezzanine instruments, primarily in Romania, Bulgaria and Serbia. The Company was listed on AIM on 23 December 2005 and started trading on 27 January 2006. These financial statements show the results of the Group for the year from 1 January 2008 to 31 December 2008.

The Company intends to generate returns for its Shareholders through two primary routes: to achieve medium and long term capital appreciation through the investment in and subsequent disposal of significant or controlling stakes in companies, both listed and private, established and/or operating primarily in Romania, Serbia and Bulgaria (the Private Equity Programme), and to make portfolio investments in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued primarily by Romanian, Serbian and Bulgarian entities (the Trading Programme).

The main focus of the Company is investments in Romania, Serbia and Bulgaria. However, the Company reserves the right to make investments into neighbouring countries, notably Ukraine, Montenegro, Moldova, Croatia, Albania and the Former Yugoslav Republic of Macedonia. It is currently anticipated that in the medium term the Company will invest approximately 70 per cent of its assets in Romania and approximately 30 per cent of its assets in Bulgaria, Serbia and neighbouring countries.

2. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention as modified by investment property held at fair value and the revaluation of financial assets at fair value through the profit and loss account. The consolidated financial statements are presented in Euros, which is the functional currency of the Company.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Future accounting developments

Certain new standards, amendments to standards and interpretations have been published that are mandatory to the Group’s future accounting period but have not been adopted early in these financial statements. These are set out below:

2. Principal accounting policies *(Continued)*

Future accounting developments

Title	**Implementation**	**Anticipated effect on the group**
IFRIC 15: Agreements for the construction of Real Estate*	Periods commencing on or after 1 January 2009	Unlikely to have a material effect
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	Periods commencing on or after 30 June 2009	Unlikely to have a material effect
IFRS 3 (Revised) Business Combinations	Periods commencing on or after 1 July 2009	Unlikely to have a material effect
Amendments to IAS 27 Consolidated and Separate Financial Statements	Periods commencing on or after 1 July 2009	Unlikely to have a material effect
Improving Disclosures about Financial Instruments (Amendments to IFRS 7)*	Periods commencing on or after 1 January 2009	Unlikely to have a material effect
IAS 1 (Revised) Presentation of Financial Statements	Periods commencing on or after 1 January 2009	Additional disclosures only
IFRS 2 (Amendment) Group Cash –settled Share-based Payment Transactions	Periods commencing on or after 1 January 2010 Early adoption is permitted	Adopted
IFRIC 13 Customer Loyalty Programmes	Periods commencing on or after 1 July 2008	Unlikely to have a material effect
Improvements to IFRSs (2010)*	Periods commencing on or after 1 January 2010 Early adoption permitted	Unlikely to have a material effect
IFRIC 17 Distribution of Non-cash Assets to Owners*	Periods commencing on or after 1 July 2009 Early adoption permitted	Unlikely to have a material effect
IFRIC 18 Transfer of Assets from Customers*	Transfer of assets from customers received on or after 1 July 2009	Unlikely to have a material effect

2. Principal accounting policies *(Continued)*

Future accounting developments*(Continued)*

IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Periods commencing on or after 1 January2009 Early adoption permitted	Unlikely to have a material effect
Revised IFRS 1 First time adoption of International Financial Reporting Standards*	Periods commencing on or after 1 January2009 Early adoption permitted	Unlikely to have a material effect
Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation	Periods commencing on or after 1 January2009 Early adoption permitted	Unlikely to have a material effect
Amendments to IAS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or assocoate	Periods commencing on or after 1 January2009 Early adoption permitted	Unlikely to have a material effect
Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Periods commencing on or after 1 July2009 Early adoption permitted	Unlikely to have a material effect
Improvements to IFRSs (2009)	Periods commencing on or after 1 January2009 Early adoption permitted	Unlikely to have a material effect

(*) – not currently endorsed for use in the European Union.

Operating Segments
The Group has adopted IFRS 8 “Operating Segments”. This standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The standard has been applied from the mandatory effective date 1 January 2009. The impact is that of additional disclosures relating to the different operating segments, which can be seen in note 20.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Revenue recognition
Revenue is wholly attributable to the principal activities of the company and its subsidiaries.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

2. Principal accounting policies *(Continued)*

Revenue recognition *(Continued)*
Revenue from sale of goods is recognised when all the following conditions, including the above, have been satisfied:

- The enterprise has transferred to the buyer the significant risks and rewards of ownership of goods;
- The enterprise retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues and expenses exclude Value Added Tax and are recorded on an accrual basis.

Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from debt securities. Dividend income from listed securities is recognised when the right to receive payment is established.

Other income mainly comprises realised profit on foreign currency exchange.

Top Factoring SRL, a company incorporated in Romania whose principal activity is the collection of receivables, recognises commissions when earned or penalties when they become due.

Mamaia Resort Hotels SRL is a Company incorporated in Romania whose principal activity is the operation of a hotel.

Basis of consolidation
Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. As at 31 December the Group had controlling interests in seven subsidiaries as outlined in Note 10.

The consolidated financial statements present the results of the company and its subsidiaries (the "Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. The ultimate controlling party is Reconstruction Capital II Limited.

Investments in associates
An associate is an entity over which the Group has significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates that are held as part of the Group's investment portfolio are carried at fair value even though the Group may have significant influence over those companies. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in the income statement in the period in which they arise.
This treatment is permitted by IAS 28 Investment in Associates which allows investments held by venture capital organisations and similar institutions to be excluded from the scope of IAS 28 Investment in Associates provided that those investments upon initial recognition are designated at fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with changes in fair value recognised through the income statement in the period of change.

2. Principal accounting policies *(Continued)*

Business combinations
The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Goodwill
Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid a bargain purchase is recognised and the excess is credited in full to the income statement.

Foreign currency translation
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the translation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, the results of overseas operations are translated into Euro at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in equity. On disposal of a foreign operation the cumulative exchange differences recognised in the foreign exchange reserve relating to the operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

Financial Assets
The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group’s accounting policy for each category is as follows:

Investments at fair value through profit or loss
Investments consist of principally listed and unlisted securities and are initially recognised at cost and subsequently re-measured at fair value and translated into Euro at the exchange rate ruling at the balance sheet date.

The investments designated at fair value through profit or loss are designated as such as the portfolio is managed and performance evaluated on a fair value basis in accordance with the Group’s investment strategy.

2. Principal accounting policies *(Continued)*

Investments at fair value through profit or loss *(Continued)*
Securities listed on a stock exchange or traded on any other regulated market are valued at the bid price on such exchange or market or, if no such price is available, the last traded price on such day. If there is no such price or such market price is not representative of the fair market value of any such security, then the security will be valued in a manner determined by the Directors to reflect its fair value in accordance with the guidelines of the European Venture Capital Association from time to time in force.

Realised and unrealised gains and losses arising from changes in the fair value of investments are recognised in the income statement as they arise.

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised on trade date, which is the date on which the company commits to purchase or sell the asset.

The cost of investments includes all fees and commissions directly related to their purchase. Transaction costs on settlement or payment of purchases and sales of investments are accounted for in the income statement and are part of the custody fees.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers but also incorporate other types of monetary assets. They are initially measured at fair value and subsequently at amortised cost. Trade receivables are reported net of impairment provisions, such provisions are recorded in a separate allowance account with the loss being recognised within operating expenses in the income statement. On confirmation that the trade receivable is not collectable the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents
Cash and cash equivalents include cash in bank and short-term, highly liquid investments readily convertible to known amounts of cash which are in a currency different from the functional currency are included in the balance sheet at the functional currency using the exchange rate at the balance sheet date.

Inventories
Inventories are valued at the lower of acquisition/production cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the FIFO (first in first out) cost method.

Financial liabilities and equity
Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. The Group's accounting policy for each category is as follows:

Other financial liabilities
Trades and other payables and loans and borrowings are initially recognised at fair value and subsequently at amortised cost under the effective interest method in accordance with IAS 39.

2. Principal accounting policies *(Continued)*

Equity
Share capital is determined using the nominal value of shares that have been issued. Additional premiums received on the initial issuing of the shares are included in the share premium.

Any initial expenses of the Company as those necessary for issue of shares, and expenses entirely related to the Placing and Admission such as fees payable under the placing agreement, receiving agent's fees, registrar's fees, admission fees, and any other applicable expenses are offset against the share premium.

Taxation
Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Dividends
Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Leased assets
New Europe Capital Ltd, a subsidiary, has entered into an operating lease in respect of its office premises. Operating lease rentals are charged to the income statement on a straight line basis over the term of the lease.

2. Principal accounting policies *(Continued)*

Property, plant and equipment
Items of property, plant and equipment are recognised at cost.

Provision for depreciation is made so as to write off the cost of non-current assets on a straight line basis over the expected lives of the assets concerned. All companies in the Group have consistent accounting policies.

The depreciation rates used by the Group are:

Leasehold improvements	-	33% per annum on a straight line basis to the end of the lease term
Computer hardware and software	-	33% per annum straight line
Motor vehicles	-	20% per annum straight line
Office equipment	-	33% per annum straight line
Buildings and infrastructure	-	2% per annum straight line
Assets in course of construction	-	2.5%-33% per annum straight line

Investment Property
Investment property held at 31 December 2007 was held as a non-current asset and was fair valued with any change in the fair value going through the income statement.

3. Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. No estimates and assumptions have been made concerning the carrying amounts of assets and liabilities as substantially all of the investments held at fair value through the profit and loss account are listed on an active exchange or were valued by an independent valuer. The fair value of such investments as at 31 December 2008 was EUR 68,066,137.

Critical judgments
Functional currency
The Board of Directors considers the Euro the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Euro is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Company is compared to other European investment products.

Goodwill
The Group tests annually whether goodwill has suffered any impairment by assessing the recoverable amount of cash generating units using budgets to perform discounted cash flow analysis.

4. Revenue

	31-Dec-08 EUR	31-Dec-07 EUR
Revenue from hotel operations	1,489,346	-
Revenue from receivables collection operations	1,223,531	162,458
Total Revenue	**2,712,877**	**162,458**

5. (Loss)/ gain on investments at fair value through profit and loss account

	31-Dec-08 EUR	31-Dec-07 EUR
Unrealised (loss)/ gain on investments	(68,675,182)	10,690,520
Gain on foreign exchange	115,899	707,003
Other realised investment income	3,329,988	12,586,466
	(65,229,295)	**23,983,989**

6. Expenditures

Investment Manager and Investment Advisory fees
New Europe Capital Limited, a subsidiary and the Investment Manager, and New Europe Capital SRL and New Europe Capital DOO, the Investment Advisors, received a management and advisory fee equivalent to 2.25% per annum of the average monthly net asset value of the Company, which is accrued and paid on a monthly basis.

The Company reimburses the Investment Manager and Investment Advisors in respect of its costs and expenses (including reasonable travel expenses) incurred in connection with the performance of its duties.

The investment management and investment advisory fees included in the income statement are EUR 3,020,394 (2007 – EUR 2,191,223) divided between the Investment Manager and Investment Advisors according to the Investment Management and Investment Advisor' Agreements.

The Investment Manager and Investment Advisors are also entitled to a performance fee of 20% of any increase in the Net Asset Value in excess of the Base Net Asset Value (adjusted to reflect any dividends or share buy backs, but before the deduction of any accrued management fee and performance fee) which is payable annually in arrears (pro rata for partial periods).

6. Expenditure *(Continued)*

The “Base Net Asset Value” is the greater of the Net Asset Value at the time of issue of the Shares and the highest Net Asset Value based on which a performance fee is paid in any prior calendar year (“Prior High Net Asset Value”) plus an additional annually compounding hurdle rate of 8 per cent. The performance fee was divided between the Investment Manager and Investment Advisors pro rata to the respective allocation between the Company’s respective Trading and Private Equity investment programmes.

The total performance fee included in the income statement is nil (2007 – EUR 4,383,783).

Custodian’s fees
The custodian, Société Généralé, received a fee at the following percentage of the net asset value of the Company as at each valuation date:

- 0.22% per annum on the first US$50 million;
- 0.20% per annum on the next US$50 million; and
- 0.18% per annum on the remaining balance

The annual custodian fee is subject to a minimum fee of USD 15,000 which is the equivalent of EUR 10,776 as at year end. The fee is accrued monthly and payable on a quarterly basis.
The custodian fee included in the income statement is EUR 301,366 (2007 – EUR 167,575).

Administrator’s fees
The administrator, Euro-VL (Ireland) Limited, receives a fee at the following percentage of the net asset value of the Company as at each valuation date:

- 0.17% per annum on the first EUR25 million;
- 0.15% per annum on the next EUR25 million; and
- 0.09% per annum on the remaining balance

The annual administration fee is subject to a minimum fee of USD 50,000 which was equivalent to EUR 35,920 as at year end. The fee is accrued monthly and payable on a monthly basis.

The administration fee included in the income statement is EUR 142,480 (2007 – EUR 111,364).

Director’s fees
The Directors were entitled to remuneration of EUR 40,000 (2007-EUR 25,000) by the Company in respect of 2008. In addition, the Directors were also entitled to be reimbursed for their reasonable out of pocket expenses incurred in discharging their duties as Directors. The Directors are considered to be key management personnel of the Group.

6. Expenditure *(Continued)*

	30-Dec-08 EUR	31-Dec-07 EUR
Investment Management /Advisory fees	2,056,186	1,095,612
Performance fee accrual	-	2,191,892
Administration fees	142,480	111,364
Custodian fees	301,366	167,575
Audit fees	72,000	111,190
Directors' fees	208,607	125,000
Depreciation	130,002	1,772
Rental of assets-operating leases	13,791	15,000
Foreign exchange gains	(115,899)	(707,003)
Profit on disposal of investment property	187,143	-
Staff costs	845,510	151,071
Other expenses	3,863,139	2,911,046
	7,704,325	**6,174,519**

One of the directors received remuneration from New Europe Capital Limited of EUR 47,767 (2007-EUR 140,587).

7. Tax expense

	31-Dec-08 EUR	31-Dec-07 EUR
Corporation tax	572,898	1,047,088
Withholding tax	57,114	69,529
Tax on (loss)/profit on ordinary activities	**630,012**	**1,116,617**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the Cayman Islands applied to the profit for the period are as follows:

7. Tax expense *(Continued)*

	31-Dec-08 EUR	31-Dec-07 EUR
(Loss)/profit before taxation	(63,549,389)	24,493,174
Expected tax charge based on the standard rate of corporation tax in the Cayman Islands of 0%	-	-
Effect of:		
Withholding tax	57,114	69,529
Foreign tax - UK Corporation tax	258,719	936,791
Foreign tax - Cyprus Corporation tax	-	110,297
Foreign tax - Romanian Corporation tax	314,179	-
Tax on (loss)/profit on ordinary activities	**630,012**	**1,116,617**

Reconstruction Capital II Ltd is incorporated in the Cayman Islands and is not subject to taxes on income or gains under Section 6 of the Cayman Islands Tax Concessions Law (Revised).

RC2 (Cyprus) Ltd is incorporated in Cyprus and no tax charge has been recognised for the financial year.

Georok Holdings Ltd is incorporated in Cyprus and no tax charge has been recognised for the financial year.

RC2 (Cyprus) Imobiliara SRL is incorporated in Romania and is subject to Romanian corporation tax at 16%. No tax charge has been recognised for the financial year.

Top Factoring SRL is incorporated in Romania is subject to Romanian corporation tax at 16%. No tax charge has been recognised for the financial year.

Glasro Holdings Ltd is incorporated in Cyprus and no tax charge has been recognised for the financial year.

Mamaia Resort Hotels SRL is incorporated in Romania and is subject to corporation tax at 16%. No tax charge has been recognised for the financial year.

The UK corporation tax charge relates to New Europe Capital Ltd and is based on the profit for the year and has taken into account taxation deferred. The tax charge is liable and payable in the United Kingdom in accordance with United Kingdom tax laws.

8. Goodwill	**31-Dec-08 EUR**	**31-Dec-07 EUR**
At beginning of year	1,257,153	-
Additions– note 24	-	1,257,153
Net book value at end of year	**1,257,153**	**1,257,153**

8. Goodwill *(Continued)*

The goodwill relates to the acquisition of Top Factoring SRL, a receivables collection company acquired on 24 May 2007.

The goodwill has been tested for impairment by comparing the carrying amount to the recoverable amount. The recoverable amount of the asset is the higher of its value in use and the fair value less cost to sell. The value in use is the present value of the future cash flows expected from the asset. The goodwill is not impaired since the carrying amount is less than the recoverable amount.

As at 31 December 2008 the recoverable amount was EUR 4,214,000. Management used an independent valuer to determine the value in use. In its valuation the independent valuer used discounted cash flow forecasts to determine the recoverable amount. Forecasts were prepared to 2013 and assumed growth rate between 35% and 77%. A discount rate of 15.6% was estimated using a CAPM model.

9. Property, plant and equipment

	Buildings and infrastructure	Motor vehicles	Leasehold Improvements	Office equipment	Computer hardware and software	Assets in course of construction	Total
		EUR	EUR	EUR	EUR	EUR	EUR
Cost							
At 1 January 2008	-	22,131	5,192	27,926	17,468	-	72,717
Acquisitions through business combinations	17,424,000	384,000		36,000		510,000	18,354,000
Additions in 2008	19,000	99,450	-	72,550	20,005	43,000	254,005
Disposals in 2008	-	(105,725)	-	(3,000)	(24,783)	-	(133,508)
Translation differences	(1,427,000)	(42,179)	-	(12,105)	(1,983)	(48,000)	(1,531,267)
At 31-Dec-08	**16,016,000**	**357,677**	**5,192**	**121,371**	**10,707**	**505,000**	**17,015,947**
Depreciation							
At 1 January 2008	-	2,341	5,192	4,213	1,702	-	13,448
Provided for 2008	102,000	52,847	-	32,419	3,432	-	190,698
Acquired through business combinations	30,000	49,000		15,000			94,000
Disposals in 2008	-	(53,980)	-	(27,000)	-	-	(80,980)
Translation differences	(45,000)	(18,316)	-	(10,400)	-	-	(73,716)
At 31-Dec-08	**87,000**	**31,892**	**5,192**	**14,232**	**5,134**	**-**	**143,450**
Net book value							
At 31-Dec-08	**15,929,000**	**325,785**	**-**	**107,139**	**5,573**	**505,000**	**16,872,497**

9. Property, plant and equipment *(Continued)*

	Leasehold Improvements	Computer Hardware & Software	Motor vehicles	Office equipment and furniture	Total
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Cost					
At 1 January 2007	5,192	2,871	-	454	8,517
Acquired on purchase of subsidiary	-	-	-	26,568	26,568
Additions in 2007	-	14,597	22,131	904	37,632
At 31 December 2007	**5,192**	**17,468**	**22,131**	**27,926**	**72,717**
Depreciation					
At 1 January 2007	4,039	814	-	454	5,307
Provided for 2007	1,153	888	2,341	3,759	8,141
At 31 December 2007	**5,192**	**1,702**	**2,341**	**4,213**	**13,448**
Net book value					
At 31 December 2007	**-**	**15,766**	**19,790**	**23,713**	**59,269**

Investment Property	**31-Dec-08**	**31-Dec-07**
	EUR	**EUR**
At beginning of year	7,279,779	-
Additions	-	3,640,000
Disposals	(7,279,779)	-
Revaluation	-	3,639,779
At end of year	**-**	**7,279,779**

10. Subsidiaries

The principal subsidiaries of Reconstruction Capital II Ltd, all of which have been included in these consolidated financial statements, are as follows:

	Country of incorporation	Proportion of ownership interest
RC2 (Cyprus) Ltd	Cyprus	100%
Georok Holdings Ltd	Cyprus	100%
RC2 (Cyprus) Imobiliara Ltd	Romania	99%
Top Factoring S.R.L	Romania	92%
Glasro Holdings Ltd	Cyprus	92%
Mamaia Resort Hotels SRL	Romania	63%
New Europe Capital Ltd	Great Britain	60%

New Europe Capital Ltd has issued a particular class of share capital that does not have voting rights. Consequently, the voting power held by Reconstruction Capital II Ltd is 60% but its economic interest is 7.5%

The Company's proportion of voting rights in all other subsidiaries is the same as its ownership interest.

On 3 March 2008 RC2 (Cyprus) Ltd, a 100% subsidiary of Reconstruction Capital II Ltd, acquired 63.01% of Antares Hotels SRL (now renamed Mamaia Resort Hotels SRL), a company incorporated in Romania, which is the owner and operator of the 305-room Golden Tulip Hotel Mamaia located in Mamaia, Romania's premium seaside holiday resort area on the Black Sea.

11. Financial assets

Non-current	**31-Dec-08**	**31-Dec-07**
	EUR	**EUR**
Unlisted equity securities	20,377,563	3,100,000
Listed equity securities	37,371,470	-
	57,749,033	**3,100,000**

Cost	78,835,029	3,000,000
Unrealised (loss)/ gain on investments	(21,085,996)	100,000
Fair value of the investments	**57,749,033**	**3,100,000**

11. Financial assets *(Continued)*

Current	**31-Dec-08**	**31-Dec-07**
	EUR	**EUR**
Listed equity securities	10,317,104	63,573,298
Listed debt securities	-	5,486,919
	10,317,104	**69,060,217**

Cost	34,933,736	51,402,337
Unrealised (loss)/ gain on investments	(24,616,632)	17,657,880
Fair value of the investments	**10,317,104**	**69,060,217**

The fair value of quoted equity securities has been determined by using the closing bid price on the relevant exchange or market. All financial assets held at fair value through profit or loss were designated as such upon initial recognition.

The fair value of unlisted investments has been determined by commissioning independent valuation reports. The inputs used in valuing these investments are not based on observable market data and require judgement, considering factors specific to the investment.

12. Trade and other receivables	**31-Dec-08**	**31-Dec-07**
	EUR	**EUR**
Trade receivables	610,750	680,337
Other receivables	245,009	580,961
	855,759	**1,261,298**

All trade receivables are classed as loans and receivables under IAS 39. The book value equates to the fair value.

13. Cash and cash equivalents	**31-Dec-08**	**31-Dec-07**
	EUR	**EUR**
Cash on hand and demand deposits	6,426,366	89,328,540

14. Trade and other payables

	31-Dec-08	31-Dec-07
	EUR	EUR
Trade payables	414,968	1,950,380
Other payables and accruals	897,754	3,535,936
	1,312,722	**5,486,316**

All trade payables are classed as financial liabilities measured at amortised cost under IAS 39. The book value equates to the fair value.

15. Exchange Rates

The financial statements are prepared in Euro. The following exchange rates at 31 December have been used to translate assets and liabilities denominated in other currencies to Euro:

Currency	31-Dec-08	31-Dec-07
GBP	1.047175240	1.363605373
USD	0.718390805	0.679301678
RON	0.248126644	0.279704632
BGN	0.511090667	0.511273582

16. Net Asset Value

	31-Dec-08	31-Dec-07
	EUR	EUR
Net assets (excluding minority interest)	83,730,540	162,809,152
Number of shares	100,000,000	112,681,054
Net Asset Value per share	0.8373	1.4449

17. Commitments under operating leases

As at 31 December 2008, the Group had annual commitments for land and buildings under non-cancellable operating leases as set out below:

	31-Dec-08	31-Dec-07
Minimum lease payments due:	EUR	EUR
Not later than one year	12,217	14,967
Later than one year and not later than five years	50,264	4,989
	62,481	**19,956**

18. Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Mr Florescu is a director of New Europe Capital Limited, New Europe Capital SRL and (until October 2008) New Europe Capital DOO, which were the Investment Manager and Investment Advisers to the Company. Total management and advisory fees for the period amounted to EUR 3,020,394 (2007: EUR 2,191,223). Total fees outstanding as at 31 December 2008 were EUR 501,395 (2007: EUR 488,658).

Investment Management and Advisory fees	**31-Dec-08 EUR**	**31-Dec-07 EUR**
New Europe Capital Ltd *	964,208	1,095,611
New Europe Capital SRL	1,419,199	1,095,612
New Europe Capital DOO	636,987	-
	3,020,394	**2,191,223**

Performance fees	**31-Dec-08 EUR**	**31-Dec-07 EUR**
New Europe Capital Ltd *	-	2,191,891
New Europe Capital SRL	-	2,191,892
New Europe Capital DOO	-	-
	-	**4,383,783**

The payment date for the performance fee is 31 December each year and as such the amounts are outstanding at those dates.

Outstanding Amounts	**31-Dec-08 EUR**	**31-Dec-07 EUR**
New Europe Capital Ltd *	120,735	244,329
New Europe Capital SRL	286,755	244,329
New Europe Capital DOO	93,905	-
	501,395	**488,658**

The investment management and advisory fee is accrued and is payable monthly in arrears.

* New Europe Capital Limited is part of the Group and so these amounts are eliminated on consolidation.

19. Financial Instruments

Risk management objectives and policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by its investment team which manages the assets to achieve the investment objectives. The most significant financial risks to which the Group is exposed are set out below.

Credit risk

The Group is exposed to credit risk as a result of holding cash balances, debt investments and trade receivables. The maximum exposure to credit risk on 31 December is:

	31-Dec-08 EUR	31-Dec-07 EUR
Financial assets at fair value through the profit or loss	-	5,486,919
Trade receivables	855,759	1,261,298
Cash and cash equivalents	6,426,366	89,328,540
	7,282,125	96,076,757

Trade receivables and cash are both classified as loans and receivables so the total credit risk exposure to loans and receivables is EUR 7,282,125 (2007 EUR 90,589,838).

There are no amounts past due or impaired. The Group's cash is held with regional and foreign banks and is diversified appropriately. The majority of trade receivables relate to Top Factoring S.R.L. The Group purchased a portfolio of receivables on 21 December 2006 and a second portfolio on 20 December 2007. The financial assets through profit or loss are listed on Romanian stock exchanges. Since the Group operates in the same region there is a concentration of geographic risk.

19. Risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The portfolio by rating category, including the rating of the banks where the Group held cash and cash equivalents, are shown below. The listed and unlisted equity securities held in Romania and Bulgaria do not have a rating.

	Rating (31-Dec-08)	Rating Agency	**31-Dec-08 EUR**
Cash and cash equivalents	A/Stable/A-1	Standard & Poor's	-
	AA-	Standard & Poor's	5,484,697
	AA-/A-1+	Standard & Poor's	941,669
Trades and other receivables		-	855,759
Listed debt securities	BBB-	Standard & Poor's	-
	AAA	Moody's	-
			7,282,125

	Rating (31-Dec-07)	Rating Agency	**31-Dec-07 EUR**
Cash and cash equivalents	A/Stable/A-1	Standard & Poor's	37,058,317
	AA-	Standard & Poor's	52,270,223
Trade and other receivables	-	-	1,261,298
Listed debt securities	BBB-	Standard & Poor's	1,422,811
	AAA	Moody’s	4,064,108
			96,076,757

In accordance with the Group’s policy the Investment Manager monitors credit risk on a daily basis, and management reviews it on a quarterly basis.

Market risk

The Group may invest in securities of smaller issuers which are believed by the investment team to have growth potential. Investment in such securities may present greater opportunities for growth but also involves greater risk than is customarily associated with the securities of more established issuers. Such issuers may have limited product lines, markets or financial recourses and therefore being subject to erratic market movements than securities of larger companies and may be dependent for their management on one or two key individuals.

The market for buying and selling private company securities in Romania, Serbia, Bulgaria and neighboring countries is substantially less developed and the formalities for transferring shares are lengthy. Investments in unlisted securities are more speculative and involve a higher degree of risk and lower level of liquidity.

19. Risk management objectives and policies *(Continued)*

Foreign currency risks

The Group holds assets denominated in RON and BGN. Accordingly, a change in the value of the RON and/or BGN relative to the Euro will result in corresponding change in the Euro value of the Group's assets denominated in RON and/or BGN. There is a greater likelihood of currency devaluation, imposition of more severe foreign currency exchange controls, a lack of availability of or access to foreign currency and pronounced currency exchange rate fluctuations occurring in Romania and Bulgaria in relation to the RON and BGN than in Western Europe in relation to major Western European currencies.

The Group is unlikely to hedge currency risks or the risk of fluctuations in the value of the assets of the Group due to the present lack of availability of suitable hedging instruments (such as warrants, futures and options). If suitable instruments become available over time, the Group reserves the right to employ a hedging strategy for such purposes. The Investment Manager closely monitors the currency fluctuations to minimize the exposure to currency risks. The table below summarises the Group's exposure to currency risks:

All amounts stated in Euro	**Monetary Assets**	**Monetary liabilities**	**Net exposure**
31-Dec-08			
GBP	780,076	(209,561)	570,515
USD	788	-	788
RON	2,902,496	(1,157,359)	1,745,137
BGN	29,880	-	29,880
	3,713,240	(1,366,920)	2,346,320
31-Dec-07			
GBP	565,967	(947,757)	(381,790)
USD	222	-	222
RON	62,018,704	(86,532)	61,932,172
BGN	8,491,785	-	8,491,785
	71,076,678	(1,034,289)	70,042,389

At 31 December, had the exchange rates between the Euro and all other currencies increased by 5%, with all other variables held constant, the increase in net assets attributable to holders of ordinary shares would be as follows:

31-Dec-08	**EUR**	**31-Dec-07**	**EUR**
GBP	21,914	GBP	(19,089)
USD	37	USD	11
RON	2,422,533	RON	3,096,609
BGN	65,015	BGN	424,589
	2,509,499		**3,502,120**

19. Risk management objectives and policies *(Continued)*

Foreign currency risks *(Continued)*

A 5% decrease in the exchange rates would have had an equal but opposite effect on the net assets attributable to holders of ordinary shares.

Liquidity risk

Less liquid investments
The Bucharest Stock Exchange, RASDAQ, Belgrade Stock Exchange and the Bulgarian Stock Exchange have considerably less trading volume than most Western European exchanges and the market capitalisations of listed companies are small compared to those listed on more developed exchanges in developed markets. The listed equity securities of many companies in Romania and Bulgaria are accordingly materially less liquid, subject to greater dealing spreads and costs and experience materially greater volatility than those of Western European countries.

Government supervision and regulation of the Romanian, Serbian and Bulgarian securities markets and of quoted companies is also less developed. Due to the relative illiquidity of the Bucharest Stock Exchange, Belgrade Stock Exchange, RASDAQ and the Bulgarian Stock Exchange, anticipation of the investment of the Company’s funds may adversely influence the price paid by the Group in purchasing securities for its portfolio and may affect the speed at which the Group can invest those proceeds.

This relative lack of liquidity may also make it difficult for the Group to effect an orderly disposal of an investment listed on the Bucharest Stock Exchange, Belgrade Stock Exchange, RASDAQ or the Bulgarian Stock Exchange. The liquidity risk is managed by both the Board and by the Investment Manager and Investment Advisors.

The table below sets out the Group’s contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	**Less than 1 year**	**No stated maturity**
31-Dec-08	**EUR**	**EUR**	**EUR**
Accrued expenses	708,975	-	-
Trade and other payables	-	603,747	-
Loans and borrowings	-	530,000	89,429
	708,975	**1,133,747**	**89,429**
31-Dec-07			
Accrued expenses	5,486,319	-	-
	5,486,319	**-**	**-**

Interest rate risk

The majority of the Group’s financial assets and liabilities are non-interest bearing; as a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The current deposit positions are closely monitored. The Investment Manager takes

19. Risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

a prudent approach when selecting deposits and banks and not exposing the Group at risk by holding cash with banks which have aggressive investment policies.

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks. It includes the Group's assets and liabilities at fair values.

		Interest Bearing	Non-interest
31-Dec-08	**Fixed**	**Floating**	**bearing**
Financial assets at fair value through the profit and loss account	-	-	10,317,104
Inventories	-	-	80,000
Trade and other receivables	-	-	855,759
Cash and cash equivalents	3,165,044	3,261,322	-
Total current assets	**3,165,044**	**3,261,322**	**11,252,863**
Trade and other payables	619,429	-	1,512,122
Total current liabilities	**619,429**	**-**	**1,512,122**
Total interest sensitivity gap	**2,545,615**	**3,261,322**	**9,740,741**

31-Dec-07			
Financial assets at fair value through the profit and loss account	5,486,919	-	62,147,903
Other financial assets	-	-	1,425,395
Inventories	-	-	16,875
Trade and other receivables	-	-	1,244,423
Cash and cash equivalents	52,210,174	37,118,365	-
Total current assets	**57,697,093**	**37,118,365**	**64,834,596**
Trade and other payables	-	-	6,455,209
Total current liabilities	**-**	**-**	**6,455,209**
Total interest sensitivity gap	**57,697,093**	**37,118,365**	**58,379,387**

19. Risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Should interest rates have been lower by 25 basis points with all other variables remaining constant, and the cash level remained constant during the year, the decrease in net assets attributable to holders of ordinary shares would amount to approximately EUR 14,517 (2007: EUR 237,038). An increase in interest rates would have an equal and opposite effect on the net assets attributable to holders of ordinary shares.

Price risk

The Group trades in financial instruments, taking positions in traded and over-the-counter instruments. All investments in securities represent a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities. The Group's equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. At 31 December, the overall market exposures were as follows:

		31-Dec-08		**31-Dec-07**
		Percentage of		**Percentage of**
Investment assets	**EUR**	**Net Assets**	**EUR**	**Net Assets**
Listed equity investments	47,688,574	57%	63,573,298	39%
Listed debt investments	-	0%	5,486,919	3%
Total investment assets	**47,677,574**	**57%**	**69,060,217**	**42%**

As at 31 December, if BET-EUR (Bucharest Stock Exchange Trading index) and SOFIX (the Bulgarian Stock Exchange Trading index) rose or fell by 5% and the listed equity and debt investments reacted in the same way, the increase or decrease respectively in net assets attributable to holders of ordinary shares would be 2.85% or EUR2,384,429 (2007: EUR3,453,011).

East Point Holdings options

During the year the Group acquired a 21.3% shareholding in East Point Holdings Limited ("EPH"). The investment is included within unlisted equity securities. Under the terms of the acquisition agreement the Group has the option to require EPH to repurchase all its shares at a 25% gain if the required reorganisation of EPH into various sub-holding companies does not take place before December 2009. The Group also has the option to sell its shares if exit via a listing on a recognised stock exchange is not achieved by October 2011.

Capital Management and procedures

The current Group policy is to fund investments through equity. No future change in this policy is envisaged. In the medium term the intention is that capital will be managed so as to maximize the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain the future development of the business. The policy is for profits from realisations from the investment portfolio to lead to the return of capital to shareholders. Under the Group's share buy back programme, 12,681,054 ordinary shares were repurchased in December 2008. This was funded by the realised profit made in 2007.

19. Risk management objectives and policies *(Continued)*

Capital Management and procedures *(Continued)*

The Group's capital is summarised by the consolidated changes of statement in equity and consists of share capital, share premium and retained earnings.

The Group's policy is not to invest in a single investee company that is greater than 25% of the net asset value at the time of effecting the investment.

20. Operating segments

The Group manages its business primarily by reference to operating segments and this approach is adopted in the accounting policies. Whilst the Group operates five operating segments there are only four reportable segments. According to its Admission Document, the Company's main objective is to generate returns for its shareholders through two primary routes: to achieve medium and long term capital appreciation through the investment in and subsequent disposal of significant or controlling stakes in companies, both listed and private (the Private Equity Programme), and to make portfolio investments in listed equities and fixed income securities (the Trading Programme). On this basis management has identified its operating segments.

The hotel operations incorporate all Summer season activities, together with providing all-year services for business travellers.

The "All other" column includes New Europe Capital Ltd and other items which the management does not consider to be operating segments.

Reportable segments

	Hotel Operations **31-Dec-08** **EUR**	Listed Private Equity Programme **31-Dec-08** **EUR**	Unlisted Private Equity Programme **31-Dec-08** **EUR**	Trading Programme **31-Dec-08** **EUR**	All Other **31-Dec-08** **EUR**	Total **31-Dec-08** **EUR**
Reportable segment total assets	17,013,000	37,880,041	21,560,977	9,329,193	7,774,701	**93,557,912**
Reportable segmental loss	(400,654)	(20,167,578)	(14,388,948)	(31,365,840)	2,773,631	**(63,549,389)**
Reportable segment liabilities	1,078,000		79,359		974,192	**2,131,551**

Revenue from external customers	1,489,346	-	1,223,531	-	-	**2,712,877**
Interest revenue	-	-	-	187,514	2,221,512	**2,409,026**
Depreciation	(110,000)	-	(16,571)	-	(3,431)	**(130,002)**
Dividends	-	-	-	569,268	-	**569,268**
Income tax expense	-	-	-	57,114	572,898	**630,012**
Other income	-	-	187,514	-	294,807	**482,321**

20. Operating segments *(Continued)*

	Hotel Operations	Listed Private Equity Programme	Unlisted Private Equity Programme	Trading Programme	All Other	Total
	31-Dec-07 EUR	**31-Dec-07 EUR**	**31-Dec-07 EUR**	**31-Dec-07 EUR**	**31-Dec-07 EUR**	**31-Dec-07 EUR**
Reportable segment total assets	-	63,573,298	4,833,635	5,486,919	97,452,404	**171,346,256**
Reportable segmental profit	-	24,244,394	16,818	-	231,961	**24,493,173**
Reportable segment liabilities	-	355,234	-	-	6,099,975	**6,455,209**
Revenue from external customers	-	-	162,458	-	-	**162,458**
Interest revenue	-	-	-	349,826	1,492,954	**1,842,780**
Depreciation	-	-	1,772	-	6,369	**8,141**
Dividends	-	-	-	331,187	-	**331,187**
Income tax expense	-	-	-	-	1,116,617	**1,116,617**
Other income	-	-	-	-	465,353	**465,353**

There was one unlisted private equity investment which declined in value by EUR 12,298,584, which represents 19% of the loss before tax of the Group.

20. Operating segments ***(****Continued)*

The geographical areas of operation for products and services are as follows:

	Romania	Serbia	Other	Total
	31-Dec-08 EUR	**31-Dec-08 EUR**	**31-Dec-08 EUR**	**31-Dec-08 EUR**
Revenue				
Total investment income/ (loss)	(48,175,053)	(12,366,621)	(4,687,621)	**(65,229,295)**
Revenue from hotel operations	1,489,346	-	-	**1,489,346**
Revenue from receivables collection operations	1,223,531	-	-	**1,223,531**
Interest income	2,351,652	-	57,374	**2,409,026**
Dividend income	541,579	287	27,402	**569,268**
Other income	311,537	-	170,784	**482,321**
	(42,257,408)	**(12,366,334)**	**(4,432,061)**	**(59,055,803)**
Total assets				
Financial assets at fair value through the profit or loss	66,778,269	17,452	1,270,416	**68,066,137**
Property, plant and equipment	16,866,924	-	5,573	**16,872,497**
Goodwill	1,257,153	-	-	**1,257,153**
Inventories	80,000	-	-	**80,000**
Trade and other receivables	765,836	-	89,923	**855,759**
Cash and cash equivalents	5,256,068	295,122	875,176	**6,426,366**
	91,004,250	**312,574**	**2,241,088**	**93,557,912**

20. Operating segments *(Continued)*

	Romania	Serbia	Other	Total
	31-Dec-07 EUR	31-Dec-07 EUR	31-Dec-07 EUR	31-Dec-07 EUR
Revenue				
Total investment income/ (loss)	16,901,915	-	7,082,074	**23,983,989**
Revenue from hotel operations	-	-	-	**-**
Revenue from receivables collection operations	162,458	-	-	**162,458**
Interest income	1,815,634	-	27,146	**1,842,780**
Dividend income	307,949	-	23,238	**331,187**
Discount on acquisition	-	-	-	**-**
Other income	(64,446)	-	771,945	**707,499**
	19,123,510	**-**	**7,904,403**	**27,027,913**
Total assets				
Financial assets at fair value through the profit or loss	63,338,846	-	8,821,371	**72,160,217**
Property, plant and equipment	58,100	-	1,169	**59,269**
Investment Property	7,279,779	-	-	**7,279,779**
Goodwill	1,257,153	-	-	**1,257,153**
Inventories	16,875	-	-	**16,875**
Trade and other receivables	1,239,299	-	5,124	**1,244,423**
Cash and cash equivalents	88,665,961	-	662,579	**89,328,540**
	161,856,013	**-**	**9,490,243**	**171,346,256**

21. Reserves

Reserve	**Description and purpose**
Share capital	Par value of a share multiplied by the number of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement
Foreign exchange reserve	Gains / losses arising on retranslating the net assets of overseas operations into Euros

22. Share Capital

	Authorised		Authorised	
	2008 Number	**2008 EUR**	**2007 Number**	**2007 EUR**
Ordinary shares of EUR 0.01 each	300,000,000	3,000,000	300,000,000	3,000,000

	Issued and fully paid		Issued and fully paid	
	2008 Number	**2008 EUR**	**2007 Number**	**2007 EUR**
Ordinary shares of EUR 0.01 each				
At beginning of the year	112,681,054	135,389,882	65,039,325	63,930,602
Other issues for cash during the year	-	-	47,641,729	476,417
Other redemptions for cash during the year	(12,681,054)	(12,489,572)		
Share premium from issues/ redemptions	-	-	-	71,667,922
Less issuance costs	-	-	-	(1,908,829)
	100,000,000	122,900,310	112,681,054	135,389,882

23. (Loss)/earnings per share

	31-Dec-08 EUR	**31-Dec-07 EUR**
Numerator		
(Loss)/ profit for the year	(64,576,849)	21,458,657
(Loss)/earnings used in EPS	**(64,576,849)**	**21,458,657**
Denominator		
Weighted average number of shares used in basic and diluted EPS	111,988,100	63,800,044
(Loss)/earnings per share	**(0.5766)**	**0.3363**

24. Acquisition during the year

On 4 March 2008 the Group acquired a 63.01% shareholding in Antares Hotel SRL for a total consideration of EUR 8,000,000. Antares Hotels SRL (now renamed Mamaia Resort Hotels SRL) is the owner and operator of the 305-room Golden Tulip Hotel located in Mamaia, Romania's premium holiday resort on the Black Sea.

If Mamaia Resort Hotels SRL had been acquired on 1 January 2008, revenues of EUR 1,783,000 and a net loss of EUR 481,000 would have been recognised in respect of the Company for the year ended 31 December 2008. Accordingly, Group revenues would have been EUR 2,871,345 and the Group loss before taxation would have been EUR 63,629,555

The loss Mamaia Resort Hotels SRL incurred in the post-acquisition period is EUR 400,654.

The fair values at acquisition were as follows:

Fair values at acquisition	**EUR**
Property, plant and equipment	18,237,000
Inventories	52,000
Trade and other receivables	114,000
Cash and cash equivalents	5,724,000
Financial liabilities and payables	(6,335,000)
	17,792,000
Group share 63.01%	11,210,739
Consideration paid	
Cash	8,000,000
Bargain purchase	**(3,210,739)**

The excess of the fair value of the assets over the consideration paid is treated as a bargain purchase and the amount is credited directly to the income statement.

It is impracticable to disclose the carrying value of assets and liabilities immediately before the acquisition as the accounting records were maintained under Romanian accounting standards and not IFRS.

Acquisition during the prior year

On 24 May 2007, Reconstruction Capital II (Cyprus) Ltd acquired 92.31% of the voting shares in Top Factoring SRL, for a total cash consideration of EUR 3,000,273. As a result, goodwill of EUR 1,257,153 arose. The Company's principal activity is receivables collection.

24. Acquisition during the year *(Continued)*

Acquisition during the prior year *(Continued)*

Fair values	**EUR**
Property, plant and equipment	26,568
Trade and other receivables	1,901,546
Cash and cash equivalents	39,815
Trade and other payables	(79,596)
	1,888,333
Group share 92.31%	1,743,120
Consideration paid	
Cash	3,000,273
Goodwill	**1,257,153**

There were no other intangible assets other than goodwill which arose on acquisition.

25. Events after the balance sheet date

There have been no significant events post-balance sheet that require disclosure to the accounts.